

**UNIMAR INTERNATIONAL, INC
AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 1992 AND 1991

Benson & McLaughlin

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AND SUBSIDIARIES**

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SEPTEMBER 30, 1992 AND 1991

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Certified Public Accountants

ACCOUNTANTS' REVIEW REPORT

The Board of Directors
Unimar International, Inc.
Seattle, Washington

We have reviewed the accompanying consolidated balance sheet of Unimar International, Inc. and subsidiaries as of September 30, 1992, and the related consolidated statements of operations and accumulated deficit, and cash flows for the year then ended, in accordance with standards established by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Unimar International, Inc. and subsidiaries

A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is an expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in conformity with generally accepted accounting principles.

As more fully described in Note 6 to the consolidated financial statements, the company is subject to the terms of a consent decree as a result of a lawsuit commenced by certain governmental agencies. The ultimate financial impact of the consent decree cannot presently be determined. Accordingly, no provision for any liability that may result has been made in the accompanying consolidated financial statements.

As more fully described in Note 6 to the consolidated financial statements, the company is subject to a demand for payment of prepetition excise taxes from a governmental agency. The company has accrued \$1,474,849 against the State's claim of \$1,887,215. In addition, the company has requested the State to suspend collection efforts entirely. The ultimate outcome of the State of Washington's demand cannot presently be determined. Accordingly, no provision for any liability that may result beyond the amount presently accrued has been made in the accompanying consolidated financial statements.

As more fully described in Note 2 to the consolidated financial statements, the company filed voluntary petitions under Chapter 11 of the Federal Bankruptcy Code. Subsequently, the Court, the company's stockholders, and the company's creditors confirmed the company's Plan of Reorganization (the plan). The accompanying consolidated financial statements reflect the debt and equity securities issued in satisfaction of prepetition claims.

As described in Note 2 to the consolidated financial statements, the accompanying consolidated financial statements have been prepared assuming that the company will continue as a going concern. The going-concern basis contemplates the realization of assets and the payment of liabilities in the ordinary course of business. The appropriateness of using the going-concern basis of accounting is dependent upon, among other things, future successful operations and the ability to generate sufficient cash from operations and other financing sources to meet the obligations of the company, including not only those of continuing operations but also liabilities resulting from the plan. The company has experienced significant losses from operations and has an accumulated deficit. These matters indicate the company may be unable to continue as a going concern. The consolidated financial statements do not include any adjustments that might be necessary should the company be unable to continue as a going concern.

As described in Note 15 to the consolidated financial statements, the company has recorded a prior period adjustment relating to imputed interest on a note payable, with which we concur.

The 1991 consolidated financial statements, exclusive of the prior period adjustment, of Unimar International, Inc. and subsidiaries were reviewed by other accountants, whose report dated December 16, 1991, stated that they were not aware of any material modifications that should be made to those financial statements in order for them to be in conformity with generally accepted accounting principles, however, their report contained wording such that there were certain conditions which raised doubt regarding the company's ability to continue as a going concern. The consolidated financial statements for 1991 do not include any adjustments that might result from the outcome of these uncertainties.

Benson & McLaughlin, P.S.

January 8, 1993

UNIMAR INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
SEPTEMBER 30, 1992 AND 1991

<u>ASSETS (Note 4)</u>			<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
	1992	1991 (RESTATED)		1992	1991 (RESTATED)
CURRENT ASSETS:			CURRENT LIABILITIES:		
Cash.....	\$ 8,840	\$ 62,583	Notes payable (Note 4).....	\$ 4,661,347	
Cash and cash equivalents held in escrow.....	800,000	800,000	Accounts payable and accrued expenses.	2,125,868	\$ 2,094,138
Accounts receivable, net of allowance for doubtful accounts of \$22,878 and \$1,000 as of September 30, 1992 and 1991, respectively.....	175,767	372,124	Payable to creditors under Plan of Reorganization.....	2,059,816	1,926,833
Insurance refund receivable.....	119,524		Accrued interest payable.....	364,824	117,086
Costs and estimated earnings in excess of billings on uncompleted contracts.....	14,777	78,815	Net liabilities related to discontinued operations.....	914,389	851,001
Prepaid expenses.....	67,008	157,005	Current portion of long-term debt (Note 15).....	284,067	430,236
Total current assets.....	<u>1,185,916</u>	<u>1,470,527</u>	Total current liabilities.....	<u>10,410,311</u>	<u>5,419,294</u>
			LONG-TERM LIABILITIES:		
PROPERTY, DRYDOCKS AND EQUIPMENT:			Accrued interest payable.....	697,988	936,130
Land.....	854,400	854,400	Long-term debt, net of current portion (Notes 4 and 15).....	4,550,512	8,762,601
Buildings.....	925,600	925,600	Deferred income taxes.....	150,000	600,000
Drydocks.....	1,000,000	1,000,000		<u>5,398,500</u>	<u>10,298,731</u>
Equipment and other.....	1,547,414	1,537,301	Total liabilities	<u>15,808,811</u>	<u>15,718,025</u>
	4,327,414	4,317,301	COMMITMENTS AND CONTINGENCIES (Note 6)		
Less accumulated depreciation.....	(1,026,093)	(659,824)	STOCKHOLDERS' DEFICIT:		
Net property, drydocks and equipment.....	<u>3,301,321</u>	<u>3,657,477</u>	Redeemable Series A cumulative pre- ferred stock, \$10 par value; 1,000,000 shares authorized, issued and outstanding.....	10,000,000	10,000,000
OTHER ASSETS:			Common stock and additional paid-in- capital (Series A through G), no par value, 9,000,000 shares authorized; 879,518 shares issued and outstanding.....	8,437,473	8,437,473
Cash and cash equivalents held in escrow.....	324,620	947,283	Accumulated deficit (Note 15).....	(29,434,427)	(28,080,211)
TOTAL.....	<u>\$ 4,811,857</u>	<u>\$ 6,075,287</u>	Total stockholders' deficit...	<u>(10,996,954)</u>	<u>(9,642,738)</u>
			TOTAL.....	<u>\$ 4,811,857</u>	<u>\$ 6,075,287</u>

See accountants' review report and accompanying notes.

UNIMAR INTERNATIONAL, INC. AND SUBSIDIARIESCONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED DEFICIT
FOR THE YEARS ENDED SEPTEMBER 30, 1992 AND 1991

	<u>1992</u>	<u>1991</u> <u>(RESTATED)</u>
SHIPYARD REVENUE.....	\$ 4,108,182	\$ 3,876,885
COST OF REVENUES.....	<u>(3,735,453)</u>	<u>(3,688,585)</u>
GROSS PROFIT.....	372,729	188,300
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES.....	<u>(1,570,111)</u>	<u>(1,886,831)</u>
LOSS FROM OPERATIONS.....	<u>(1,197,382)</u>	<u>(1,698,531)</u>
OTHER INCOME (EXPENSE):		
Interest income.....	33,436	101,203
Interest expense.....	(791,675)	(687,745)
Imputed interest expense (Note 15)...	(610,542)	(977,373)
Loss on disposal of assets.....	(21,542)	(1,262,500)
Loss on writedown of drydocks to net realizable value.....		(2,181,667)
Retroactive insurance refund.....	609,076	
Other.....	<u>63,755</u>	<u>148,792</u>
	<u>(717,492)</u>	<u>(4,859,290)</u>
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAX.....	(1,914,874)	(6,557,821)
DEFERRED INCOME TAX BENEFIT (Note 5)...	<u>450,000</u>	
LOSS FROM CONTINUING OPERATIONS.....	(1,464,874)	(6,557,821)
DISCONTINUED OPERATIONS:		
Income (loss) from discontinued tug and barge operations.....	110,658	(3,843,023)
Loss on disposal of tug and barge assets.....		(1,257,634)
Gain recognized from reversal of MARAD B-notes payable.....		<u>11,429,015</u>
NET LOSS (Note 15).....	(1,354,216)	(229,463)
ACCUMULATED DEFICIT, BEGINNING OF YEAR.	<u>(28,080,211)</u>	<u>(27,850,748)</u>
ACCUMULATED DEFICIT, END OF YEAR.....	<u>\$ (29,434,427)</u>	<u>\$ (28,080,211)</u>

See accountants' review report and accompanying notes.

UNIMAR INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 1992 AND 1991

INCREASE (DECREASE) IN CASH

	<u>1992</u>	<u>1991</u> <u>(RESTATEd)</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss (Note 15).....	\$(1,354,216)	\$(229,463)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation.....	399,452	3,506,887
Imputed interest (Note 15).....	610,542	977,373
Reclassification of accrued interest to notes payable.....	150,100	
Loss on writedown of drydocks.....		2,181,667
Loss on discontinued operations....		1,257,634
Loss on disposal of drydocks.....		1,262,500
Loss on disposal of equipment.....	21,542	
Gain on reversal of MARAD B-notes payable.....		(11,429,015)
Deferred tax benefit.....	(450,000)	
(Increase) decrease in assets:		
Accounts receivable.....	196,357	(96,578)
Other receivables.....	(119,524)	133,488
Costs in excess of billings on uncompleted contracts.....	64,038	(49,268)
Other.....	89,997	310,434
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses.....	31,730	(1,347,033)
Accrued interest payable.....	364,468	(2,507,521)
Payable to creditors under Plan of Reorganization.....	132,983	(242,376)
Total adjustments	<u>1,491,685</u>	<u>(6,041,808)</u>
Net cash provided by (used in) operating activities....	<u>137,469</u>	<u>(6,271,271)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sale of property and equipment.....	11,500	6,142,889
Purchases of property and equipment....	(76,338)	
Cash held in escrow.....	<u>622,663</u>	<u>1,087,644</u>
Net cash provided by investing activities.....	<u>557,825</u>	<u>7,230,533</u>

(continued)

See accountants' review report and accompanying notes.

UNIMAR INTERNATIONAL, INC. AND SUBSIDIARIESCONSOLIDATED STATEMENT OF CASH FLOWS (continued)
FOR THE YEARS ENDED SEPTEMBER 30, 1992 AND 1991

	<u>1992</u>	<u>1991</u> <u>(RESTATED)</u>
CASH FLOWS FROM BY FINANCING ACTIVITIES:		
Proceeds from issuance of long-term debt.....	86,479	
Repayments of long-term debt.....	(933,706)	(1,925,602)
Liabilities of discontinued operations.....	98,190	851,001
Net cash used in financing activities.....	(749,037)	(1,074,601)
NET DECREASE IN CASH.....	(53,743)	(115,339)
CASH AT BEGINNING OF YEAR.....	62,583	177,922
CASH AT END OF YEAR.....	<u>\$ 8,840</u>	<u>\$ 62,583</u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Reclassification of prior years' accrued interest to notes payable.....	<u>\$ 389,674</u>	
Interest paid.....	<u>\$ 277,108</u>	<u>\$ 3,195,266</u>
Debt satisfied in noncash transfer of assets.....		<u>\$29,587,887</u>

(concluded)

See accountants' review report and accompanying notes.

UNIMAR INTERNATIONAL, INC. AND SUBSIDIARIESNOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 1992 AND 1991NOTE 1: Description of Business and Significant Accounting PoliciesDescription of business:

Unimar International, Inc. is the parent company of United Marine Shipbuilding, Inc. (UMS) and United Marine Tug & Barge, Inc. (UMTB). UMS is engaged in the repair, conversion and construction of marine vessels. UMTB has been inactive for the year ended September 30, 1992. See Note 8 for a description of discontinued operations of UMTB. Unimar International, Inc. and subsidiaries are collectively referred to herein as the company. The company conducts its operations from drydock facilities on Lake Union in Seattle, Washington.

Significant accounting policies:Consolidation:

Significant intercompany transactions and accounts have been eliminated.

Reorganization accounting:

As a result of the Chapter 11 proceedings and the substantial change in its capitalization, the company has adopted quasi-reorganization principles of accounting (see Note 2). Under such principles, at August 23, 1988 (the effective date), assets were revalued to their estimated fair market values, liabilities were recorded at the discounted present values of amounts expected to be paid, and the prior deficit in retained earnings was eliminated against paid-in-capital. During the year ended September 30, 1991, the estimated values of certain drydock assets were revised as described below.

Property, drydocks and equipment:

Property, drydocks and equipment acquired prior to August 23, 1988 are stated at the fair market values as of the effective date of the plan of reorganization. For assets acquired after August 23, 1988 they are generally stated at cost. During the year ended September 30, 1991, the company adjusted the carrying value of three drydocks with a net book value of \$3,181,667 to their estimated current net realizable value of \$1,000,000.

UNIMAR INTERNATIONAL, INC. AND SUBSIDIARIESNOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 1992 AND 1991NOTE 1: Description of Business and Significant Accounting Policies (continued)

Significant accounting policies (continued):

Property, drydocks and equipment (continued):

Depreciation is provided over the estimated remaining service lives of the assets using the straight-line methods, based on the following:

	<u>YEARS</u>
Buildings.....	20
Drydocks.....	7
Equipment and other.....	3 - 10

Expenditures for maintenance and repairs are charged to operations, while additions, renewals and betterments are capitalized.

Accounting for construction and repair contracts:

The company generally recognizes revenue on the long-term construction and repair contracts on the percentage-of-completion method, based primarily on the proportion of labor hours incurred on the contract to total estimated labor hours.

Contract costs include all direct material and labor costs and those indirect costs related to contract performance, such as, indirect labor, supplies, tools, repairs and depreciation costs. Selling, general and administrative expenses are charged to expense as incurred. Provisions for estimated losses on uncompleted contracts are made during the period in which such losses are determined.

Income taxes:

The company uses the liability method for providing income taxes. Deferred income tax is primarily due to the use of quasi-reorganization principles of accounting for financial statement purposes whereas they are not allowed for income tax reporting and the use of accelerated methods of depreciation for income tax purposes.

UNIMAR INTERNATIONAL, INC. AND SUBSIDIARIESNOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 1992 AND 1991NOTE 2: Proceedings Under Chapter 11

The following is a summary of the bankruptcy proceedings and plan of reorganization for the company. The actual court approved plan of reorganization is available from the company.

In 1986, WFI Industries, Inc. (WFI) and its subsidiaries (the predecessor corporation of Unimar International, Inc. and subsidiaries) individually filed petitions for reorganization under Chapter 11 of the U.S. Bankruptcy Code (the Code) in the United States Bankruptcy Court for the Western District of Washington located in Seattle (the Court).

In May, 1988, WFI filed a plan of reorganization (the Plan) with the Court and it was subsequently approved by the creditors and stockholders and confirmed by the Court in August, 1988.

On August 23, 1988, the effective date of the Plan, all outstanding common stock of WFI was transferred to the company and subsequently canceled and 879,518 shares of various classes of common stock were distributed.

Secured creditors exchanged prepetition secured debt for newly issued debt collateralized by specific assets of the general assets of the company.

A prepetition creditor agreed to accept redeemable cumulative preferred stock (1,000,000 shares, \$10 par value) with a face value of \$10,000,000 in partial satisfaction of its prepetition claims.

Unsecured creditors received a partial cash settlement of their claims and/or shares of common stock of the company.

The accompanying financial statements reflect the debt and equity securities issued in satisfaction of prepetition claims and have been prepared on the going-concern basis which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. The appropriateness of using the going-concern basis of accounting is dependent upon, among other things, future successful operations and the ability to generate sufficient cash from operations and other financing sources to meet the obligations of the company as they become due, including not only those from continuing operations but also liabilities resulting from the Plan.

UNIMAR INTERNATIONAL, INC. AND SUBSIDIARIESNOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 1992 AND 1991NOTE 2: Proceedings Under Chapter 11 (continued)

As a result of the company's emergence from bankruptcy, and losses from operations for the period from August 23, 1988 through September 30, 1992 which total approximately \$29,000,000, management is unable to predict the probability of successful future operations, including its ability to generate sufficient cash to meet the continuing needs of the company or its obligations pursuant to the Plan.

NOTE 3: Costs and Estimated Earnings on Uncompleted Contracts

	<u>1992</u>
Costs incurred on uncompleted contracts.....	\$ 229,948
Estimated earnings.....	<u>13,460</u>
	243,408
Less: Billings to date.....	<u>(235,671)</u>
	<u>\$ 14,777</u>
Included in the accompanying balance sheet under the following captions:	
Costs and estimated earnings in excess of billings on uncompleted contracts.....	\$14,777
Billings in excess of costs and estimated earnings on uncompleted contracts.....	<u>0</u>
	<u>\$14,777</u>

	<u>FACE AMOUNT</u>	<u>DISCOUNT</u>	<u>NET</u>
Current notes payable:			
Series A Notes (classified as current as principal payments are in arrears):			
Note payable to bank, with interest at variable rates from 3.92% to 10%, due in various installments through 2003, collateralized by drydocks and receivables.....	\$2,302,257	\$(839,276)	\$ 1,462,981
Note payable to bank, with interest at 10%, payable in monthly installments of \$10,000 through 2000, collateralized by real property.....	974,373	(246,798)	727,575
Note payable to bank, due in monthly installments of \$2,621 through 2001, including interest at 10%, collateralized by equipment.....	164,875	(17,431)	147,444
Note payable to bank, with interest at 11.5%, due in monthly installments of \$9,275 plus interest final payment due 2003, collateralized by equipment and accounts receivable.....	672,221		672,221
Other notes.....	<u>292,251</u>		<u>292,251</u>
Total Series A Notes and Other.....	<u>4,405,977</u>	<u>(1,103,505)</u>	<u>3,302,472</u>
Series B and C Notes (classified as current as principal payments are in arrears):			
Notes payable to bank, with interest at rates of 8% and 7.5% to 10% for years ended September 30, 1992 and 1991, respectively, due in various installments through 2003, includes addition of unpaid accrued interest at September 30, 1992 in the amount of \$539,774, collateralized by property and equipment.....	<u>1,893,774</u>	<u>(534,899)</u>	<u>1,358,875</u>
Total current notes payable.....	<u>\$6,299,751</u>	<u>\$(1,638,404)</u>	<u>\$4,661,347</u>

(continued)

UNIMAR INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 1992 AND 1991

NOTE 4: Debt (continued)

	1992			1991 (RESTATED)		
	FACE AMOUNT	DISCOUNT	NET	FACE AMOUNT	DISCOUNT	NET
Long-term debt:						
Series A Notes and Other:						
Note payable to the State of Washington, due in annual installments of \$800,000 commencing in 1991 with final payment of \$400,000 in 2001, no stated interest rate (15% imputed interest rate), cash and cash equivalents held in escrow on the balance sheet are pledged for payment of this note (Note 15).....	\$6,800,000	\$(3,096,438)	\$3,703,562	\$ 7,600,000	\$(3,683,859)	\$3,916,141
Note payable to bank, with interest at rates from 3.92% to 10%, due in various installments through 2003, collateralized by drydocks and receivables.....				2,330,684	(839,276)	1,491,408
Note payable to bank, with interest at 10%, payable in monthly installments of \$10,000 through 2000, collateralized by real property.....				979,061	(246,798)	732,263
Note payable to bank, due in monthly installments of \$2,621, including interest at 10%..				169,912	(17,431)	152,481
Note payable to bank, with interest at 11.5%, due in monthly installments of \$9,275 plus interest, final payment due 2003.....				679,268		679,268
Other.....	10,860		10,860	255,167		255,167
Total Series A Notes and Other.....	6,810,860	(3,096,438)	3,714,422	12,014,092	(4,787,364)	7,226,728

(continued)

UNIMAR INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 1992 AND 1991

NOTE 4: Debt (continued)

	1992			1991 (RESTATED)		
	FACE AMOUNT	DISCOUNT	NET	FACE AMOUNT	DISCOUNT	NET
Series B and C Notes:						
Notes payable to bank, with interest at rates of 8% and 7.5% to 10% for years ended September 30, 1992 and 1991, respectively, due in various installments through 2003, collateralized by property and equipment.....	\$1,900,000	\$(1,001,303)	\$ 898,697	\$ 3,254,000	\$(1,536,202)	\$ 1,717,798
Notes payable to bank, due in semiannual installments of \$25,000 through 1994, no stated interest rate, imputed interest at 24%, collateralized by a piece of equipment.....	100,000	(24,066)	75,934	150,000	(47,215)	102,785
Notes payable with interest at 8%, due in various installments based on a cash flow formula through 2000, collateralized by a piece of equipment.....	205,000	(59,474)	145,526	205,000	(59,474)	145,526
Total Series B and C Notes.....	2,205,000	(1,084,843)	1,120,157	3,609,000	(1,642,891)	1,966,109
Total long-term debt.....	\$9,015,860	\$(4,181,281)	4,834,579	\$15,623,092	\$(6,430,255)	9,192,837
Less current portion.....			(284,067)			430,236
			<u>\$4,550,512</u>			<u>\$ 8,762,601</u>

(concluded)

UNIMAR INTERNATIONAL, INC. AND SUBSIDIARIESNOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 1992 AND 1991NOTE 4: Debt (continued)

Series A Notes are discounted at 15% and Series B and C Notes are discounted at 24%. Significant restrictive covenants applicable to the company's indebtedness include, among other things: establishment and maintenance of certain restricted funds to be held in escrow; payments of prepetition tax liabilities (Note 2); no additional liens on existing property; limitation of additional debt; no payment of dividends on common stock; and limitation on asset acquisitions.

Certain debt agreements call for principal reductions to be made from available cash flow. Management presently does not expect cash flow available for principal payments in the near future. Aggregate annual principal payments on long-term debt for future years ending September 30 are as follows with these debts recorded beyond the next five years:

	<u>AMOUNT</u>
1993.....	\$ 284,067
1994.....	322,367
1995.....	325,700
1996.....	375,100
1997.....	428,560
Thereafter.....	<u>3,098,785</u>
	<u>\$4,834,579</u>

Accrued interest payable is computed based upon the stated interest rate on all debt held by the company. Interest on all Series A Notes is payable in periodic installments as set forth in the note agreements. Interest on Series B and C Notes is payable based upon the company reaching certain minimum cash flow levels as specified by the debt agreements and has been classified as long-term.

UNIMAR INTERNATIONAL, INC. AND SUBSIDIARIESNOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 1992 AND 1991NOTE 5: Provision for Income Tax

Deferred income tax benefit for the year
ended September 30, 1992 due to change in
estimate of deferred tax provision..... \$450,000

The company has net operating loss carryforwards as of September 30, 1992 of approximately \$28,000,000 for financial reporting purposes and approximately \$120,000,000 for income tax purposes. The carryforwards for income tax purposes expire at various years from 2000 to 2007. The carryforwards for financial reporting purposes expire at various years from 2003 to 2007.

In addition the company has net investment tax credit carryforwards of approximately \$4,600,000. These carryforwards expire at various years from 1995 to 2001.

NOTE 6: Commitments and Contingencies

Consent decree:

The company is subject to the terms of a consent decree entered into between WFI, the U.S. Government Environmental Protection Agency (the EPA) and the Washington State Departments of Ecology and Natural Resources (the WSDOE).

The decree is the result of a lawsuit commenced by the EPA and the WSDOE which alleged that the operations of WFI resulted in the pollution of a lake bottom adjacent to an operating facility of the company. The suit was exempted from the automatic stay provisions of the Code.

UNIMAR INTERNATIONAL, INC. AND SUBSIDIARIESNOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 1992 AND 1991NOTE 6: Commitments and Contingencies (continued)Consent decree (continued)

As required by the decree, the company developed a testing plan, which was approved by the EPA and WSDOE. The testing plan was completed during the year ended September 30, 1991. After completion of the testing, the EPA and WSDOE were expected to recommend a cleanup plan. Management has been verbally informed that the departments are in the process of completing a rating system to determine the priority of clean up actions. As of September 30, 1992, no written response has been received from the EPA or WSDOE. In the opinion of management, the final recommendation of the cleanup plan will propose one of the following courses of action: (1) no cleanup required; (2) "cap" the pollutants with fill material; or, (3) a dredging of the lake bottom and subsequent disposal of the pollutants. Under alternatives (2) or (3), though the final cost depends upon the plan specifics as approved by the EPA and WSDOE, in the opinion of management, the cost range may approximate \$500,000 to \$1,000,000 and \$2,000,000 to \$5,000,000, respectively. No accrual for this contingency has been recorded in the accompanying financial statements.

Washington State Department of Revenue:

A demand for payment of prepetition excise taxes was received from the Washington State Department of Revenue (the "DOR") in August, 1992. The DOR has stated if the taxes cannot be paid, they might move the bankruptcy court to dismiss the case. The company has responded to this demand and the possible motion to dismiss by letter dated September 23, 1992 and the DOR has taken the company's requests under review.

The company acknowledges the DOR's claim in the amount of \$1,887,215, however, they have reserved the right to argue the amount of the assessment. The company has requested the DOR to suspend efforts to collect the prepetition excise taxes and related penalties in their entirety. This request is based on the grounds that the state could make the determination that the costs of pursuing such collection would outweigh the likelihood of actually collecting. The company has accrued a liability of \$1,474,849 as of September 30, 1992 related to this claim. Management elected to stop accruing interest on this accrual effective October 1, 1991.

UNIMAR INTERNATIONAL, INC. AND SUBSIDIARIESNOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 1992 AND 1991NOTE 6: Commitments and Contingencies (continued)Other:

The company is subject to other claims and litigation. In the opinion of management, the outcome of such matters will not have a material effect on the consolidated financial position of the company.

NOTE 7: Preferred Stock

In accordance with the Plan, the company issued 1,000,000 shares of redeemable cumulative preferred stock to a prepetition creditor on the effective date of the Plan. If payments are current on all indebtedness of the company, dividends are to be paid at the lesser of \$1,000,000 per year or 20% of certain deferred transactions as defined in the Plan. The stock is redeemable at the company's option after the effective date of the Plan at \$5.00 per share through August 22, 1991 and \$10.00 per share thereafter. All stock must be redeemed by August, 1998.

In the event of liquidation, dissolution or winding up of the company, preferred stockholders are entitled to receive \$10 per share, plus all accrued and unpaid dividends at the date of the distribution to the extent funds are available after satisfaction of senior creditor claims.

All indebtedness of the company has not been current for the past two years. As such, no preferred stock dividends have been declared or are considered in arrears during this period.

NOTE 8: Discontinued Operations

In 1991, the company completed a series of transactions which effectively liquidated the assets of UMTB and discontinued the company's tug and barge operations.

During the period from November 1990 through April 1991, UMTB sold three vessels to third party operators who paid cash and assumed the United States Maritime Administration (MARAD) A-notes payable which were collateralized by the vessels. The buyer's assumption of debt was approved by MARAD prior to completion of each sale.

In August, 1991, MARAD declared the remaining A-notes payable in default after UMTB failed to make the quarterly payment due May 23, 1991. Per the agreement, MARAD exercised its options to direct the disposal of the remaining eight vessels.

UNIMAR INTERNATIONAL, INC. AND SUBSIDIARIESNOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 1992 AND 1991NOTE 7: Discontinued Operations (continued)

In addition to the foreclosure of certain vessels collateralized by the MARAD A-notes payable, the company reversed the MARAD B-note payable issued pursuant to a specific debenture agreement dated August 23, 1988. In the opinion of management and in-house counsel, the terms of the MARAD B-note payable agreement provide that the note is to be repaid only from the "Available Cash Flow" of the company's tug and barge operations as defined in the debenture agreement. A gain of \$11,429,015 (\$15,615,071 principal and \$3,602,449 accrued interest, net of unamortized discount of \$7,788,505) was recognized from this reversal during the year ended September 30, 1991.

The loss on discontinued tug and barge operations reflects revenues and direct expenses of the UMTB operations during 1991.

The remaining assets and liabilities of the discontinued tug and barge operations included in the financial statements are as follows:

	<u>1992</u>	<u>1991</u>
Cash account (deficit).....	\$ 482	\$ (3,614)
Accounts receivable (net of allowance for bad debts of \$100,000).....		175,542
Accounts payable and accrued liabilities.....	(727,720)	(820,181)
Note payable - Calwest, payable at \$996 monthly, including interest at 12%.....	(21,168)	(24,976)
Note payable - Inland Boatmans Union, payable at \$3,165 monthly, including interest at 12%.....	(112,240)	(120,211)
Note payable - Mates, Masters and Pilots Union, payable at \$1,516 monthly, including interest at 12%....	(53,743)	(57,561)
Net liabilities.....	<u>\$ (914,389)</u>	<u>\$ (851,001)</u>

Revenues of UMTB for the years ended September 30, 1992 and 1991, were \$109,045 and \$5,518,434, respectively, and are reported net of related expenses as a discontinued operation.

UNIMAR INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
 SEPTEMBER 30, 1992 AND 1991

NOTE 7: Discontinued Operations (continued)

Disposed assets and liabilities of UMTB consisted of the following:

	<u>1991</u>
Vessels.....	\$ 28,685,354
MARAD A-notes payable.....	<u>(25,251,720)</u>
Net assets disposed.....	<u>\$ 3,433,634</u>

UMTB continued to receive lease revenues on the bareboat charter on two of the sold vessels until the leases expired in March, 1992. Under the lease agreements, the lessee paid all expenses of the vessels, including monthly principal payments and interest due MARAD on the related MARAD A-notes payable. UMTB received \$68,545 under these lease agreements during the year ended September 30, 1992.

NOTE 8: Concentration of Credit Risk

During the normal conduct of its operations, Unimar International, Inc. and subsidiaries engage in the extension of trade credit to customers. The risk associated with that credit is subject to economic, competitive and other influences. While a portion of the risk is diversified, certain operations are concentrated in one industry and all are within Washington State.

At September 30, 1992, the company has outstanding \$295,291 in unsecured receivables.

NOTE 12: Employee Benefit PlansSimplified Employee Pension Plan:

Effective January 1, 1992, the company adopted a Simplified Employee Pension Plan covering all eligible non-bargaining unit employees. Contributions to the plan are made at the discretion of company management, not to exceed 7% of eligible compensation, and are immediately vested to the participants. Contributions for the year ended September 30, 1992 amounted to \$53,755.

UNIMAR INTERNATIONAL, INC. AND SUBSIDIARIESNOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 1992 AND 1991NOTE 12: Employee Benefit Plans (continued)

Stock Bonus Plan:

In accordance with the Plan of reorganization, on August 23, 1988, the company adopted a stock bonus plan which qualifies under Section 401(a) of the Internal Revenue Code (the "Code") and is also an Employee Stock Ownership Plan under Section 4975(e)(7) of the Code. The plan covers all employees of the company. Allocations of stock to participants are immediately vested. Prior to terminated participants receiving their allocated shares of the employer's stock, the stock must first be offered for purchase to the trust and then to the employer at the then fair market value.

On August 23, 1988, the company sold 730,000 shares of its Common Series A stock to the plan in exchange for a \$4,885,000 promissory note receivable. The note's terms are fifteen annual installments of \$325,667 which began June 15, 1990, bearing interest at 10%. The promissory note stipulates that collections of principal and interest are to be made from (1) company cash contributions to the plan and earnings, (2) cash dividends on stock held by the plan, or (3) forgiveness of the indebtedness by the company. The note has been excluded from the accompanying balance sheet as it would have an offsetting allowance amount.

For the years ended September 30, 1992 and 1991 the company forgave the principal and interest amounts due under the promissory note in the amount of \$749,033 for each year. These amounts have been treated as company contributions to the stock bonus plan.

NOTE 13: Major Customers and Suppliers

The company recognized approximately 37% of its sales revenues from one customer during the year ended September 30, 1992.

Approximately 59% of the company's purchases were obtained from three suppliers during the year ended September 30, 1992.

UNIMAR INTERNATIONAL, INC. AND SUBSIDIARIESNOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 1992 AND 1991NOTE 14: Related Party Transactions

During the year ended September 30, 1992 the company received a loan collateralized by certain equipment from an individual unrelated to the company. The company president has personally guaranteed repayment of the loans. The company transferred sufficient funds to repay the loan's principal and interest under the terms of the note to a separate bank account owned by the president. The president is making the required loan payments from this special account. The following summarizes the activity in this area for the year ended September 30, 1992:

Proceeds from loans.....	\$ 200,000
Transfer of funds to cover loan principal and interest over stated term.....	(218,636)
Return transfer to company.....	<u>95,000</u>

Net change.....	<u>\$ 76,364</u>
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Included in the accompanying September 30, 1992 financial statements under these captions and amounts:

Accounts payable and accrued expenses.....	\$ 95,000
Interest expense.....	(12,969)
Prepaid expenses.....	<u>(5,667)</u>
	<u>\$ 76,364</u>

NOTE 15: Prior Period Adjustment

During the year ended September 30, 1991, an adjustment was made which decreased the discount on the State of Washington note payable. As a result, the reported balance for the note was greater than the sum of the required future payments discounted at an imputed interest rate of 15%. The financial statements for 1991 have been restated to adjust the discount to the appropriate amount. This restatement has caused a decrease of \$1,142,955 in both total liabilities and stockholders' deficit as of September 30, 1991. The previously reported imputed interest expense and net loss for the year ended September 30, 1991 have also been decreased by \$1,142,955.